

Schools Finance Training Guidance

Policies

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Scheme for Financing Schools

- Legal requirement for Local Authorities to publish a Scheme as per the Schools Standards and Framework Act 1998, Section 48
- DfE produces statutory guidance which sets out what Local Authorities must do to comply with the law
- The Scheme for Financing Schools covers many areas and topics relating to schools
- The purpose of the scheme is to manage the relationship between the Local Authority (LA) and maintained schools
- The scheme applies to all nursery, community, voluntary, foundation community special schools and foundation special schools maintained by the LA. It does not apply to schools situated in the authority's area which are maintained by another authority, nor does it apply to academies
- Below is a list of topics covered by the scheme, this is not an exhaustive list:
 - **Introduction**
 - **Financial Management**
 - Details the governing bodies responsibilities
 - Requirements for submitting a medium term finance plan
 - School Budgets
 - School Accounts
 - Annual Declaration for School Fund Account
 - Basis of Accounts
 - Purchasing, Tendering and Contract Requirements
 - Application of Contract to Schools
 - Central Funds and Earmarking
 - Capital Spending from Budget Shares
 - Payment of Salaries, Payment of Bills
 - Procurement Card
 - Control of Assets
 - Writing off of Debts
 - Audit arrangements
 - Audit of Private and Voluntary Funds
 - Register of Business Interests
 - Notice of Concern
 - School Resource Management
 - Schools Financial Value Standards (SFVS)
 - Fraud
 - Financial Regulations
 - Spending for the purpose of the School
 - **Instalments of Budget Share, Banking Arrangements**
 - BW and prime account options including bank account requirements for Prime Account Schools
 - Borrowing by schools
 - Payment terms of invoices
 - **Taxation**
 - Value Added Tax (VAT)
 - Construction Industry Tax (CIS)
 - **Treatment of Surpluses and Deficit Balances Arising in Relation to Budget Shares**
 - The Right to Carry Forward Surplus Balances

- Reporting on the Intended Use of Surplus Balances
- Carry Forward Balances
- Interest on Surplus Balances
- Obligation to Carry Forward Deficit Balances
- Planning for Deficit Budgets
- Charging of Interest on Deficits
- The LA cannot write off balances
- Balances of Closing and Replacement Schools
- Licensed Deficits
- Loan Scheme
- **Income**
 - Income from Lettings
 - Income from Fees and Charges
 - Income from Fund-Raising Activities
 - Income from the Sale of Assets
 - Administrative Procedures for the Collection of Income
- **The Charging of School Budget Shares**
 - Circumstances where School Budget Shares can be charged by the LA
 - Charging of Salaries at Actual Costs
 - Other Charges that may be made
- **The Provision of Services and Facilities by the Authority**
 - Provision of Services from Centrally Retained Budgets
 - Timescale for the Provision of Services Bought Back from the LA using Delegated Budgets
 - Service Level Agreements/Contracts
 - Teachers' Pensions
- **Insurance**
 - Requirements of Governing Bodies in relation to Insurance provision
- **Miscellaneous:**
 - Rights of Access to Information and Right of Attendance at Governing Body Meetings
 - Liability of Governors
 - Governors' Expenses
 - Responsibility for Legal Costs
 - Health and Safety
 - Delegation to New Schools
 - Whistleblowing
 - Community Facilities
 - Redundancy / Early Retirement Costs
 - Special Education Needs
 - Child Protection
- **Responsibility for Repairs and Maintenance**
 - Guidance regarding work which can be classified as revenue
- **PFI**
 - Arrangements for 7 PFI schools
- The link below will take you to the Lincolnshire.gov.uk website where you can read more information about the scheme:

Finance Policy

- All schools are required produce a Finance Policy to bring together the key aspects of finance under one policy document
- To assist schools a draft Finance Policy has been created by Schools Finance Team
- The policy should bring together key aspects of finance, the draft policy covers:
 - **Organisation**
 - Finance committee members, meeting dates and minutes
 - **Roles and Responsibilities**
 - Roles and responsibilities of the Governing Body, Finance Committee, Headteacher and admin staff
 - Electing finance committee
 - Approving and submitting school's budget
 - Ensure school budget will not overspend
 - Submitting SFVS return
 - Reviewing Finance Policy annually
 - Satisfy themselves that all parties are fulfilling their responsibilities as set out in the policy document
 - Agree Virement Policy
 - Ensure that the school's Register of Business Interests and Conflict of Interests is kept up-to-date
 - Ensure School Fund is audited on an annual basis and administration of the Fund is compliant with LCC guidance
 - **Authorisation Limits**
 - Authorisations limits for purchase orders, virements and purchase cards
 - **Training**
 - Training needs to be reviewed annually
 - **Budget Setting**
 - Detailed budget to be set at start of the year to include different options as per School Development Plan and any potential cost savings
 - **Budget Monitoring**
 - Importance of regular budget monitoring
 - Headteacher to review budget monthly using financial reports from schools financial system
 - **Financial Administration**
 - Headteacher to monitor financial administration functions of administrator/bursar
 - **Reporting**
 - Importance of the Governing Body receiving detailed, accurate and up-to-date financial information
 - Headteacher to prepare budget monitoring reports for the Finance Committee
 - **Financial Planning**
 - Importance of planning beyond current year
 - Headteacher to prepare a 5 year financial plan
 - Governing Body to consider impact on future years

- **Audit**
 - Ensure auditors given access to relevant staff and records
 - Audit recommendations to be implemented as soon as possible
 - Ensure that school has a list of certifying officers for the purpose of signing cheques, certifying employee claims, etc. and review this on an annual basis
 - Ensure that all minutes of the Finance Meeting are forwarded to governor.support@lincolnshire.gov.uk
 - Ensure that all assets with a value up to £20,000 are disposed of in accordance with the guidance set out in Section D of the Finance Handbook
 - **Annual Timetable**
 - Importance of planning financial work throughout the year
 - Annual timetable to be submitted to full Governing Body
- This is not an exhaustive list. For more information you can find a copy of the draft Finance Policy on Perspective Lite:

Schools Finance Team > Policies

Carry forward Policy

- Schools have the right to carry forward from one year to the next any shortfall in expenditure relative to the school's budget share for the year, plus or minus any balance brought forward from the previous year subject to the following restrictions.
- Schools are permitted to carry forward:
 - Primary and Special Schools: Up to 8% of budget share or £30,000 (whichever is greater)
 - Nursery Schools: Up to 10% of budget share or £30,000 (whichever is greater) based on total childcare income received
 - Secondary Schools: Up to 5% of budget share or £30,000 (whichever is greater)
- The LA will request the governing body of schools with carry forward surpluses in excess of their carry forward limit complete a pro-forma setting out how the school intends to make use of the surplus balances.
- Schools with deficit balances will be required to carry them forward. The LA will deduct deficits from the following year's budget share.
- Schools are not permitted to overspend. Where this is unavoidable, schools must seek prior written approval from the LA. Schools that overspend will be required to submit a deficit recover plan. Those schools are supported closely through the Monitoring and Intervention Policy.
- The LA cannot write off the deficit balance of any school.
- This is not an exhaustive list. For more information you can find a copy of the Carry forward Policy on Perspective Lite:

Schools Finance Team > Policies

Monitoring and Intervention Framework

- The Scheme for Financing Schools states that schools are not permitted to overspend and must seek prior approval from the LA. It is through the Monitoring and Intervention Framework that the responsibilities under the Scheme are discharged.
- The LA has a pro-active approach to monitoring and intervention, the aim is to identify schools with financial challenges before they overspend to enable appropriate action to be taken.
- If a school has triggered the Monitoring and Intervention Framework they will receive a letter from the team.
- Maintained schools will be identified as Monitoring and Intervention where:
 - A cumulative overspend on Budget Share at the end of the last financial year i.e. all surplus balances have been fully utilised and the school now has a deficit
 - They have set a deficit budget for the current financial year including brought forward balances
- Maintained schools will be issued a financial health/resilience warning where any of the below situations occur:
 - A deficit budget has been set for the following year
 - They have a significant reduction in carry forward from the previous financial year to the current financial year (excluding any excess carry forward) or future years carry forward projections – this is referred to as an in-year deficit. A significant reduction shall be determined as a Nursery, Primary or Special School whose carry forward has reduced by £50,000 or a Secondary School whose carry forward has reduced by £80,000
 - Information indicates that there will be a significant reduction in the number on roll (NoR) in future financial year. A significant reduction shall be determined as:
 - i. Primary school NoR <100 whose number on roll reduce by 5 pupils
 - ii. Primary school NoR 101<200 whose number on roll reduce by 8 pupils or 5% whichever is greater
 - iii. Primary school NoR >201 whose number on roll reduce by 15 pupils or 7% whichever is greater
 - iv. Secondary school whose number on roll reduce by 15 pupils or 3% whichever is greater
 - v. Nursery schools where following discussions with the Council's Early Years Team concerns have been raised regarding participation occupancy levels compared to school capacity relating to the prior financial year.
 - vi. Special schools where following discussions with the Council's Special Education Needs team, concerns have been raised regarding the occupancy of agreed place numbers.
- Where the following situations occur the policy could also be triggered:
 - Serious concerns raised by Internal Audit or the Schools Finance Team
 - The school have not submitted the Schools Financial Value Standard (SFVS) in accordance with the timescales set by the LA
 - Suspected fraud or misappropriation of funds
 - A school alert form has been raised within the Council
 - They have carried forward significant underspends at the end of the previous financial year. This will be dealt with in conjunction with the Council's School Carry Forward Policy.

Schools with overspends (deficits)

- For those maintained schools that have a cumulative overspend on their Budget Share, or have set a deficit budget in the current financial year, the MTFP that is submitted at the end of May will

need to demonstrate its ability to repay the overspend. The steps will be clearly set out in the deficit recover plan, that will be monitored throughout the financial year. The Council expect the overspend to be recovered and repaid in a reasonable time period while maintaining schools standards – this will be between one to four years depending on the size o the overspend following agreement with the Council.

- For all maintained schools whose Budget Share has overspent including brought forward balances, the MTFP that is submitted at the end of May will receive a number of additional verification checks. Additional checks will include reviewing benchmarking data and testing for reasonableness of all school costs to ensure value for money is being evidenced and liaising with the Children’s Education Team regarding future pupil number projections. Those schools will be required to submit their MTFP funding document in order to assess future funding levels and the steps for reducing the overspend through a deficit recovery plan. Following this review, schools may be required to resubmit a revised MTFP.
- Once officers are satisfied that the financial plan is complete, accurate, realistic and deliverable, the Council will provide feedback confirming this position, including the timescale for recovering the overspend. The financial position will be reviewed on a termly basis based on the deficit recovery plan actions of the school - schools may be required to attend meetings with a member of the Council's Schools Finance Team to review progress against the plan and the school's financial position.
- If a school has overspent its Budget Share but has a surplus of grant funding (overall financial position is a surplus), the school will be contacted to discuss best practice in terms of budget monitoring.

Monitoring and Intervention Framework Review Meeting

- The Strategic Finance Manager and the Finance Managers of the Schools Finance Team will meet on a monthly basis to monitor those schools that have been identified as triggering the Monitoring and Intervention framework, actions will be agreed and shared with the Responsible Finance Officer within Schools Finance Team assigned to the school to take forward with the school. On a termly basis, the Strategic Finance Lead will receive and review the financial landscape of schools who have triggered Monitoring and Intervention and Financial Health / Resilience warnings.
- For each school that triggers the Monitoring and Intervention framework, governance and support will be provided. This will typically involve:
 - Responsible Finance Officer reviewing and monitoring the schools Deficit Recovery Plan to assess if the school are demonstrating they have taken the necessary action to repay the overspend as per the approved Deficit Recovery Plan.
 - An updated MTFP submitted by the school to the Schools Finance Team in the autumn and spring term to monitor progress against the agreed Deficit Recovery Plan.
 - Responsible Finance Officer contacting the school in September to discuss if the school have any concerns regarding the MTFP since the budget was set earlier in the year, including any large unanticipated costs or savings which will impact the financial position of the school and the Deficit Recovery Plan
 - Schools submitting forecasts to the Schools Finance Team in the autumn and spring terms to monitor progress against the Deficit Recovery plan.
 - Responsible Finance Officer providing feedback including independent constructive challenge to the school based on information provided. This is to support a schools financial planning – circumstances may rise whereby escalation to the Chair of Governors is required.

- Request to review Governor minutes where the financial position of the school is discussed.
- Maintained schools may be asked to meet with the Council's Strategic Finance Lead (Children's Services) or Strategic Finance Manager (Schools Finance Team) to review the schools financial position at least six-monthly or more frequently, if appropriate, in the following circumstances:
 - A primary school's total overspend (including grant funding) at the end of the last financial year exceeded £50,000.
 - A secondary or special school's total overspend (including grant funding) at the end of the last financial year exceeded £100,000.
 - A nursery school's total overspend (including grant funding) at the end of the last financial year exceeded £30,000.
 - A school has failed to reduce the overspend by at least 80% of the agreed target in the previous financial year.
- Maintained schools may be asked to meet with the Council's Strategic Finance Manager (Schools Finance Team) or Finance Team Manager (Schools Finance Team) to review the school's financial position at least six-monthly or more frequently, if appropriate, in the following circumstances:
 - A primary school's overspend at the end of the last financial year exceeded £20,000 but was less than £50,000.
- The Monitoring and Intervention policy can be found on Perspective Lite by following the below file path:

Schools Finance Team > Policies

Accountability Framework

- An Accountability Framework has been created which sets out the expectations placed on Schools, together with the support they can expect to receive from their finance business partners within the Schools Finance Team.
- The framework seeks to ensure the right level of school participation in financial management processes, supported by effective finance business partnering. This is a change for some schools but recognises that schools are best placed to influence their position and ensure their service can be delivered within their budget.

Schools are expected to:

- Make evidence-based business decisions which benefit the school and the pupils within the school
- Deliver curriculum and standards within your agreed budget
- Monitor financial performance regularly, to include reviewing all areas of the budget including variances between original and current budget, and undertaking monthly payroll reconciliations, ensuring measurable and corrective actions are taken to address risks, overspends and excess carry forwards
- Ensure plans are in place to legitimately maximise the use of all grant funding, as per the specific grant conditions
- Ensure forecasts are regular (monthly, as a minimum September, November and January), realistic, timely and can be evidenced

- Consider the medium-term financial implications due to any changes, and the impact those changes will have on the Medium Term Finance Plan (MTFP), ensuring scenario planning is undertaken when required
- Create a culture of continuous improvement, including regular benchmarking
- Ensure compliance with the Scheme for Financing Schools, Financial Regulations and Procedures and operational guidelines
- Deliver and evidence value for money services
- Consider the financial implications of any proposed decisions
- Provide relevant information to Schools Finance Team Business Partners to develop an understanding of your school and the challenges you face, so they can provide informed and insightful advice and potential solutions

Schools Finance Team Finance Business Partners will:

- Discuss any aged debt with the school
 - Discuss pupil number projections
 - Review all funding to ensure accurately included in schools MTFP
 - Undertake reasonableness checks of all non-staffing costs for all funding streams
 - Review and discuss utilisation of all funding streams for all years
 - Provide challenge where variances are identified between the original budget and current budget
 - Offer guidance and direct schools to appropriate area when they have questions regarding their payroll reconciliation. Please note - Monthly payroll reconciliation will not be carried out by the team
 - Discuss the forecasting process and provide guidance and assistance where required
 - Discuss benchmarking and assist where necessary
 - Provide positive challenge to assist with scenario modelling to provide support with schools achieving a sustainable medium term finance plan
 - Highlight areas of risk and concern and advise on action where needed
 - Provide financial training/coaching where require
- The Framework can be found on Perspective Lite by following the below file path:

Schools Finance Team > Policies

Managing Change Policy

- Supports schools with the need to undertake workforce planning and to provide a fair and transparent process when undertaking staffing reductions
- Schools Forum agreed de-delegation for maintained primary schools to support a redundancy budget for 'schools in financial difficulties'
- Contributions to redundancy costs will be made where a failure to reduce staffing would, in the LA's opinion, result in a deficit within two years
- The current charging policy for the school's contribution will continue:
 - The first £5,000 of the total cost of any redundancy or interests of efficiency; or 50% of the total cost of any redundancy or interests of efficiency; whichever is the greater, subject to a maximum of 2.5% of the school's budget share for that financial year, with the County Council funding the balance
- LA's Managing Change Policy has been updated as at September 2025

- Best Practice is to keep the Medium Term Finance Plan (MTFP) up to date, retaining funds to meet future redundancy costs
- Attend the staffing reduction panel where the following can happen:
 - Chaired by Strategic Finance Lead (Children's Services) and comprises of representatives from Finance, HR, School Improvement Service and the Education Reorganisation Officer
 - Head Teacher and Governor attend the meeting
 - Panel sits a number of times per academic year
 - Schools will be required to submit the business case explaining the rational for the proposed changes to the staffing structure and supporting documentation at least two weeks prior to the panel date
 - Supporting information will be expected, e.g. MTFP (5 years - before and after proposals), a class and staffing structure and staffing profiles of all FTE (Full time equivalent) staff (e.g. all redundancies, permanent and temporary appointments, all maternity leave, etc, which will have taken place in the last 2 years
 - A class structure with staffing
 - Places can be booked by contacting Education Reorganisation Officer: Ady Clarke (01522) 553216 ady.clarke@lincolnshire.gov.uk
- The link below will take you to the Schools Employment Manual on the Professionals website where you can read more information about the Managing Change Policy:

<https://professionals.lincolnshire.gov.uk/downloads/download/108/managing->

Loan Scheme for Schools

- Operated by the LA
- Eligibility. All maintained schools are eligible to apply for a loan
- Types of loan available:
 - Cash Flow, (to meet temporary budget pressures).
 - Internal Loan Scheme (to secure extra funds for schools for improvement where school is not overspent).
 - Loans for Capital purposes (to fund capital works).
 - Rescheduling of existing loans (to replace existing commercial loans)
- Maximum loan available is limited to 10% of the school's current budget share. Exceptions may be made where the school can demonstrate the borrowing is prudent, affordable and sustainable. As directed by the Department for Education the County Council is unable to agree a loan for a school after the governing body or interim executive board has made an application to become a sponsored academy
- With the exception of capital loans all loans must be repaid as part of the academy conversion process should a school opt to become an academy
- Loan application for the chosen type of loan and supporting evidence submitted to demonstrate governors approval of the loan application and business case to show affordability of the loan
- Model for calculating repayments will be sent to school to give an indication of the repayment values of the loan once the school has entered the value of the loan and the number of years to be repaid
- LA will aim to process loans application within four weeks
- The Loan Scheme for Schools policy can be found on Perspective Lite by following the below file path:

Reorganisational Policy

- The LA has a statutory responsibility to provide sufficient places for pupils in Lincolnshire. The purpose of the policy is to allocate funding to the relevant sector. The LA will ask a school/academy to take in extra pupils above the Planned Admission Number (PAN) on a temporary or permanent basis.
- The policy ensures schools receive funding to meet all reasonable additional costs
- The funding will only be received if the increase has been agreed with the LA and not when the school decides to over offer without consulting the LA
- Individual policies for primary, secondary and special schools
- For permanent increases in the PAN for primary schools, pupil led funding will be paid for the additional pupils over the original PAN to the maximum of the revised PAN. Where a school has had to open an additional class as a result of the PAN change, provided the LA support the decision, a threshold of 23 pupils for reception and key stage 1 and 21 pupils for key stage 2, has been set. If the school numbers are below these thresholds then extra pupil led funding (ghost funding) will be allocated
- For temporary PAN expansions (over offer/bulge year) for primaries, the additional pupils over the PAN for the first year will be funded where an additional class is required. If the thresholds for reception, key stage 1 and key stage 2 have not been met then additional funding may be available
- For primary schools a class structure pro forma will need completing in September/October for calculating additional funding
- Funding may also be available for fixture and fittings for additional classroom costs.
- For secondary schools, the autumn pupil census is used to calculate the funding for a planned reorganisation. The LA will increase the pupil numbers to the new agreed PAN agreed with the school. Funding for permanent PAN expansions will be included in the original budget share, funding for temporary PAN expansions will be allocated mid-year. Fixtures and fittings funding is also available
- For special schools expansions, the LA will provide band funding using the schools average band value, for each new place created
- The links below will take you to the Lincolnshire.gov.uk website where you can read more information about the re-organisational policies for each sector:

[Primary school re-organisational policy](#)

[Secondary school re-organisational policy](#)

[Policy on funding arrangements for special school reorganisations](#)